

CITY OF BURBANK
Burbank, California

Single Audit Report on Expenditures of Federal Awards

Year ended June 30, 2010

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Year ended June 30, 2010

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Honorable Mayor and City Council
City of Burbank, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Burbank, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Burbank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Burbank's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Burbank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Burbank's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Honorable Mayor and City Council
City of Burbank, California
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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other immaterial matters of internal control over financial reporting which we have reported to management of the City of Burbank in a separate letter dated November 24, 2010.

This report is intended solely for the information and use of the City Council and management of the City of Burbank, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
November 24, 2010



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Honorable Mayor and City Council
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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL
CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Burbank, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of its major federal program for the year ended June 30, 2010. The City of Burbank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Burbank's management. Our responsibility is to express an opinion on the City of Burbank's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Burbank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Burbank's compliance with those requirements.

In our opinion, the City of Burbank complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

The management of the City of Burbank is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Burbank's internal control over compliance with requirements that could have a direct and

material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Burbank's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burbank, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Burbank's basic financial statements. The accompanying schedule of expenditures of federal awards and financial data schedules are presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of Burbank's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Burbank's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, City's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California

November 24, 2010, except for the schedule of expenditures of federal awards and financial data schedules, as to which the date is January 6, 2011.

CITY OF BURBANK

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Funding Agency/Program Name</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grant Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program Expenditures</u>
Department of Health and Human Services:				
Passed through the Los Angeles County Area Agency on Aging:				
Title III, Part B - Grants for Supportive Services and Senior Center	93.044	-	CK 40280	\$ 1,696
Title III, Part C1 - Congregate Nutrition	93.045	-	CK 40280	142,928
Title III, Part C2 - Home Delivered Meals	93.045	-	CK 40280	142,795
Nutrition Services Incentive	93.053	-	CK 40280	47,883
Total Department of Health and Human Services				<u>335,302</u>
Department of Agriculture:				
Passed through the Burbank Unified School District :				
Summer Food Service Program	10.559	-	228200	<u>25,000</u>
Department of Housing and Urban Development:				
Direct Assistance:				
Section 8 Housing Choice Vouchers	14.871	CA105VO	-	9,140,512
HOME Investment Partnerships Program	14.239	M-03-MC-06-0504	-	82,073
Community Development Block Grant	14.218	B-03-BC-06-0513	-	649,204 *
Community Development Block Grant (ARRA)	14.253	B-09-MY-06-0513	-	174,176 *
Total Department of Housing and Urban Development				<u>10,045,965</u>
Corporation for National and Community Service:				
Direct Assistance:				
Retired Seniors Volunteers Program	94.002	440P034/19	-	<u>39,314</u>
Department of Energy				
Direct Assistance:				
Electricity Delivery and Energy Reliability, Research, Development and Analysis (ARRA)	81.122	OE0000246	-	<u>1,893,307 *</u>

* Major Program

N/A - Not Available

(Continued)

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF BURBANK

Schedule of Expenditures of Federal Awards

(Continued)

<u>Funding Agency/Program Name</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grant Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program Expenditures</u>
Department of Justice:				
Passed through the Bureau of Justice Assistance :				
Federal bulletproof vest	16.592	-	N/A	13,551
Local Law Enforcement Block Grant Program	16.592	-	2007-DJ-BX-0803	1,156
OTS grants	16.592	-	N/A	<u>61,576</u>
Total Department of Justice				<u>76,283</u>
Department of Homeland Security:				
Passed through the State of California Office of Emergency Services:				
Urban Area Security Initiative (UASI) FY06	97.067	-	2006-C-112253	45,617
Urban Area Security Initiative (UASI) FY07	97.067	-	2007-C-114653	124,000
State Homeland Security Grant (SHSGP) 2007	97.067	-	2007-037-95050	<u>149,583</u>
Total Department of Homeland Security				<u>319,200</u>
Department of Labor:				
Passed through the State of California:			Ref. 101 Fed	
Local Workforce Investment Area	17.258	-	Catalog 417260	<u>64,426</u>
Department of Transportation:				
Direct Assistance:				
Highway Planning and Construction (ARRA)	20.205	ESPL 5200 (028)	-	32,089
	20.205	ESPL 5200 (029)	-	314,901
	20.205	ESPL 5200 (033)	-	353,381
	20.205	SRTSL 5200 (026)	-	94,255
	20.200	STPLH 5200 (021)	-	<u>19,392</u>
Total Department of Transportation				<u>814,018</u> *
Total Federal Awards				<u>\$ 13,612,815</u>

* Major Program

N/A - Not Available

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF BURBANK

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Burbank (City) that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from non-federal organizations. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

During the fiscal year ended June 30, 2010, the City of Burbank incurred \$186,206 of Community Development Block Grant (CFDA No. 14.218) expenditures that were paid to 11 subrecipients.

(d) Loans Receivable

At June 30, 2010, outstanding loans receivable from CDBG funds totaled \$2,269,089. Outstanding loans receivable from HOME funds totaled \$6,133,053.

CITY OF BURBANK

Financial Data Schedule

June 30, 2010

Line Item #	Account Description	Section 8 Rental Voucher Program
	<u>Assets</u>	
	Current assets:	
113	Cash - restricted	\$ 2,618,370
100	Total cash	<u>2,618,370</u>
129	Accrued interest receivable	<u>3,279</u>
120	Total receivables, net of allowances for doubtful accounts	<u>3,279</u>
150	Total current assets	<u>2,621,649</u>
190	Total assets	<u>\$ 2,621,649</u>
	<u>Liabilities and Fund Balance</u>	
	Current liabilities:	
312	Accounts payable, less than 90 days	\$ 4,615
333	Accounts payable - other government	<u>387,444</u>
310	Total current liabilities	<u>392,059</u>
300	Total liabilities	<u>392,059</u>
	Fund balance:	
511	Reserved fund balance	15,068
512	Undesignated fund balance	<u>2,214,522</u>
513	Total fund balance	<u>2,229,590</u>
600	Total liabilities and fund balance	<u>\$ 2,621,649</u>

CITY OF BURBANK

Financial Data Schedule

Year ended June 30, 2010

Line Item #	Account Description	Section 8 Rental Voucher Program
	Revenues:	
706	HUD PHA grants	\$ 8,762,162
714	Fraud recovery	12,179
715	Other revenue	82,899
720	Investment income - restricted	<u>18,014</u>
700	Total revenues	<u>8,875,254</u>
	Operating Expenditures:	
911	Administrative salaries	731,762
915	Employee benefit contributions - administrative	328,763
919	Other	60,884
962	Other general charges	<u>31,366</u>
969	Total operating expenditures	<u>1,152,775</u>
970	Excess operating revenues over operating expenditures	<u>7,722,479</u>
	Expenditures:	
973	Housing assistance payments	<u>7,987,737</u>
900	Total expenditures	<u>9,140,512</u>
1000	Excess (deficiency) of operating revenues over (under) expenditures	<u>\$ (265,258)</u>

CITY OF BURBANK

Financial Data Schedule

June 30, 2010

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Rental Voucher Program</u>
1103	Beginning equity	\$ 2,494,848
1104	Prior period adjustments, equity transfers and correction of errors	-
1120	Unit months available	12,168
1121	Number of unit months leased	11,215

CITY OF BURBANK

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weakness in internal control over financial reporting, nor were there any significant deficiencies in internal control as a result of the audit of the financial statements.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses or other significant deficiencies in internal control over major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed two audit findings required to be reported under paragraph .510(a) of OMB Circular A-133. See description of findings on the following page.
7. The major programs of the auditee were:
 - CFDA 81.122 U.S. Department of Energy – Electricity Delivery and Energy Reliability, Research, Development and Analysis
 - CFDA's 14.218 and 14.253 U.S. Department of Housing and Urban Development – Community Development Block Grant Entitlement Grants Cluster
 - CFDA's 20.205 and 20.200 U.S. Department of Transportation – Highway Planning and Construction Cluster
8. The dollar threshold used to distinguish Type A and Type B programs was \$408,384.
9. The auditee was considered to be a low risk auditee for the year ended June 30, 2010 for purposes of major program determination, as defined by OMB Circular A-133 paragraph .530.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditors' findings required to be reported in accordance with GAGAS.

CITY OF BURBANK

Schedule of Findings and Questioned Costs

(continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133

2010-1 Reimbursement of Estimated Costs

CFDA Number: 20.205
Grant Name: Highway Planning and Construction
Grant Number: ESPL 5200 (028)
Federal Agency: U.S. Department of Transportation
Pass-Through Entity: California Department of Transportation
Questioned Costs: \$15,000

Criteria: For costs to be allowable under federal reimbursement grants, costs must represent charges for actual costs, not budgeted or projected amounts.

Condition: During the fiscal year ended June 30, 2010, the City invoiced the granting agency for \$15,000 of services that had not yet been performed. The services were for City personnel to remove and relocate fiber optic cables. Additionally, since the costs were for City salaries, the amount should have been based on actual salaries, not estimated costs.

Recommendation: We recommend that for all reimbursement grants, the City only include costs to be reimbursed that have been incurred. Additionally, reimbursements should be based on actual costs incurred, not budgeted or estimated costs.

Management's Corrective Action Planned: BWP is sole provider and controls all access to its right of way and fiber. City requested service necessary for our construction project and BWP requested payment upfront in this amount for the work. In order to maintain ARRA grant we had to respond quickly to Caltrans deadline and used this invoice in order to meet that requirement and save the \$1M+ grant. In general we concur and will only include actual amounts to be reimbursed but we ensured Caltrans would approve reimbursement prior to taking action and consider this a special case worthy of exception.

2010-2 Documentation of Vendor Selection

CFDA Number: 81.122
Grant Name: Electricity Delivery and Energy Reliability, Research, Development and Analysis Grant
Grant Number: OE0000246
Federal Agency: U.S. Department of Energy

CITY OF BURBANK

Schedule of Findings and Questioned Costs

(continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133, (Continued)

Criteria: OMB Circular A-102 requires that an agency “maintain records sufficient to document the significant history of the procurement, selection of contract type, contractor selection or rejection, and the basis of contract price”. Additionally, the Circular requires that “all procurement transactions will be conducted in a manner providing full and open competition”. Additionally, grantees are not to make any award to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Condition: The City entered into a \$1,665,482 contract for Wifi radio equipment without competitive bidding. The City was not able to provide any records documenting the rationale for the contractor selection. On August 27, 2010, management prepared a memorandum documenting the rationale for the sole-source procurement. Additionally, the City did not retain any evidence this contract and another contract tested were evaluated for potential conflicts with federal suspension and debarment requirements.

Recommendation: We recommend the City retain documentation of the history of procurement and selection of contractor for federal awards. Additionally, the City should retain documentation verifying that contractors used are not suspended or debarred from doing business with the federal government.

Management’s Response and Corrective Action Planned: Management does follow City of Burbank Administrative Purchasing Policy and retains documentation of the procurement and selection of contractors used, including the procurement and selection of contractors used for federal awards. No corrective action is planned. Management followed the City’s policies when it used the single-source procurement procedure for Tropos Networks to purchase \$1,665,482 of Wi-Fi radio equipment. The single-source justification dated August 27, 2010 was approved by the City Manager’s Office on the second (2nd) of September, 2010; and the Purchase Order was issued by the City’s Purchasing Division of the Financial Services Department on September 20, 2010.

Management will retain documentation verifying that contractors used are not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs. A review of vendors used to date has revealed no instance of the use of contractors that are suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs.

CITY OF BURBANK
Summary Schedule of Prior Audit Findings
Year ended June 30, 2010

There were no audit findings reported for the year ended June 30, 2009 that required follow-up during the year ended June 30, 2010.